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**STATEMENT OF CHAIRMAN JOEL HEFLEY**

**SUBCOMMITTEE HEARING ON THE FY2000 BUDGET REQUEST  
FOR THE MILITARY CONSTRUCTION AND MILITARY FAMILY HOUSING PROGRAMS  
OF THE DEPARTMENT OF DEFENSE**

This afternoon, the Subcommittee on Military Installations and Facilities opens its hearings on the President's request for funding for the military construction and military family housing programs of the Department of Defense for fiscal year 2000. We will take testimony today from senior officials from the Office of the Secretary of Defense and the Department of the Army.

At the outset, I want to take a few moments to recognize some of the new faces around the subcommittee. The ranking member of the subcommittee for this Congress will be the gentleman from Mississippi, Gene Taylor. I know that Mr. Taylor has a deep concern for the well-being of uniformed military personnel and their families and I trust his perspective will be helpful to us in our deliberations. I also want to recognize Buck McKeon of California as a new member on the Republican side of the subcommittee. And, I also want to welcome Robert Brady of Pennsylvania and Mike Thompson of California as new members on the Democratic side of the subcommittee. While we come to this subcommittee with our respective party hats, I think it is fair to say that this is one of the most bipartisan subcommittees in the Congress. We all come here to find solutions to our very real, very serious military infrastructure problems. I have long been gratified by the bipartisan nature of our work and I am certain that will continue.

One year ago, as this subcommittee sat to consider the Administration's FY1999 budget request for military construction, I suggested that the judgment – and patience – of all members would be tested as we continued to wrestle with the conflicting signals coming out of the Pentagon. Last year, the budget request continued a recent pattern of DOD budget requests by falling short by every measure. This subcommittee has repeatedly endured departmental budget requests which fail to keep pace with the previously enacted program, the previous budget request, and the prior year's budget projections. It has been a continual case of unrealized promises by DOD and the military departments concerning the modernization of military infrastructure.

I did not think the situation could get much worse, but it has. I was hopeful a year ago that the Department might be prepared, over the long-term, to begin to put a few, modest new resources toward the problem. Sadly, the Department has chosen to kick the can down the road yet again by choosing to build an \$8.5 billion program and spread its funding over two fiscal years with an extraordinary, unprecedented, and unworkable financing scheme. Quite frankly, I am deeply disappointed with this approach to budgeting. It simply is not "good government" and will not deliver its promises on time.

The Department asserted when the budget request was released on February 1<sup>st</sup> that this request represents a “robust” construction program. Senior officials of the Department have suggested it means a commitment to the revitalization of military facilities. The fact is that this budget request will not revitalize facilities. It will merely delay the completion of badly needed facilities to support readiness as well as critical improvements to military housing.

The MILCON request rests upon a shaky financial structure and relies on a number of unsound budgetary gimmicks and risky administrative assumptions that will affect execution. \$3.1 billion – 36 percent – of the funds needed to implement the Department’s program would be pushed into the following fiscal year. Moreover, for each new start construction project listed in the budget request, the budget request would provide about 25 cents on the dollar for fiscal year 2000.

Just last year, the Administration proposed a different and more limited version of this plan. In the fiscal year 1999 budget request, the Department requested advance appropriations of approximately \$569 million, spread over three fiscal years, for 15 major projects. That proposal was rejected by Congress.

This year, the Department not only is requesting advance appropriations for military construction, which is opposed by the Congress, but has compounded the problem by requesting such appropriations for nearly every construction project regardless of its size or scope. Moreover, the fiscal year 2000 increment for every project appears to be based upon outlay rates and not upon the “complete and usable” standards which have traditionally governed large phase-funded projects. Outlay rates have absolutely nothing to do with the ability of the military services to execute a contract and begin construction. And, incrementally funding small projects simply makes no programmatic sense. To use a couple of examples from the budget request, I’m not certain what \$330,000 of a \$1.34 million family services center or \$934,000 of a \$4.0 million control tower really buys. These inefficiencies can only lead to increased costs as well as delay in delivery.

Moreover, there is no consistency between the military construction accounts. To cite three examples:

- A land acquisition for the Army Reserve is one of the few fully funded MILCON projects contained in the budget request on the grounds that a purchase cannot be incrementally funded. Yet, a major land acquisition affecting the safety of military personnel and the public at Marine Corps Air Station, Yuma, is incrementally funded.
- Each of the services were required to spread their supervision, inspection, and overhead charges over a five-year period – except for the Army and the Air National Guard which were given a one-year waiver. Of course, the Army and the Air National Guard have been mandated to annualize their project supervision charges beginning with the FY2001 budget request.
- Despite incremental funding, the Army and the Air Force have fully funded construction projects supporting their remaining base closure and realignment activities. The Navy, however, has incrementally funded their BRACON projects – although at a significantly higher rate than the regular construction program is funded.

We in the Congress have worked strenuously with the Department to improve program execution to make the best use of the resources available to us. Frankly, no one with whom I have spoken in the

military departments understands fully how to execute the incrementally funded program as proposed. The MILCON program for the coming fiscal year is, quite simply, broken.

Chairman Spence put it succinctly on February 2<sup>nd</sup> when he dubbed this budget request the “MILCON massacre.” Secretary Cohen, at the full committee hearing on that day, responded to my concern by suggesting that it was a one-time proposal to permit the Department to pay for a number of immediate bills of great concern to the service chiefs. But, he also said that “[T]his is not a system as far as the advance appropriation that I have endorsed in the past, nor do I like it.” He also indicated that as a member of the Senate he resisted such financing approaches. I wish he would have resisted it here as well.

I fear that, should this approach be adopted, the temptation will be overwhelming to implement it on a permanent basis – creating a huge unfunded bow wave in the military construction accounts. If MILCON can be taxed in FY2000 – and Congress goes along – why not tax MILCON again and again to support other departmental initiatives? At that point, program integrity and any hope of building out the deficit for facilities supporting military housing, training, and readiness will likely be lost.

This subcommittee will be told that there was no alternative. I disagree. The \$3.1 billion requested in advance appropriations would not be available until FY2001. That amount added to the budget assumptions contained in the current FYDP for military construction would yield a program in FY2001 of approximately \$10.8 billion. If the Department of Defense truly intends to fund the next program year at that level, the alternative was to fully fund a smaller, completely executable program – albeit the smallest in 19 years – with a commitment to a truly “robust” program to follow. Some might call that a “MILCON pause” – and they would be right – but the program proposed by the Department is a “MILCON pause” given the difficulty of execution.

In recent years, the Department of Defense has left the problem of crumbling and underfunded infrastructure at the door of Congress. I regret that this year is no exception. Unlike past years, however, we not only have to find the dollars to plug the holes in an underfunded budget, but we will have to fix the foundation of the program as well.

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